



April 28, 2005

Mr. Bruce Allen
250 Upper Mountain Ave.
Upper Montclair, NJ 07043

Dear Mr. Allen:

We were retained by you to value your 50% equity interest in Private Label Sourcing, LLC (PLS). It is our understanding that our valuation is to be utilized in connection with the proposed sale of your 50% interest. This summary report is intended for that specific use. This limited appraisal is not an appraisal done in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) in that we have not conducted an in-depth industry or economic analysis. However the methodology used in arriving at the equity value of your interest is an accepted methodology utilized in the valuation of closely held businesses and we believe is an appropriate indication of fair market value of your 50% interest. This limited appraisal should be used only for the purpose indicated, and only by its intended parties for the purpose stated above. The date of our valuation is April 28, 2005.

Private Label Sourcing, LLC is a limited liability company formed on May 3, 2001 in the State of Delaware. The Company is located in New York, NY and is engaged as a commission agent and importer of women's apparel, which is sold principally to one major national retailer. The ownership of the Company is presented in Table 1 below.

Table 1 – Ownership

| Owner | Ownership Interest |
|-----------------|--------------------|
| Bruce Allen | 50% |
| Christine Dente | 50% |
| Total | 100% |

Several approaches can typically be employed to estimate the fair market value of a closely held business. These include market-based approaches as well as economic benefit models. We considered all relevant approaches in the context of their appropriateness for PLS. We decided that an economic benefit model, capitalization of cash flow, would best represent an estimate of the fair market value of PLS.

The capitalized cash flow method incorporates the projection of a single normalized amount of economic income (cash flow) and capitalizing that projected amount with a rate that is reflective of the risk involved in receiving that amount on a regular basis. Utilization of the capitalized economic income method does not take into consideration the timing of future changes in income or cash flow. This method is best utilized when there is a stable or predictable income or cash flow.

The initial step in determining the anticipated future free cash flows was to determine a normalized historical income for PLS. Due to the significant changes made in the cost structure of the company, we took the 2005 forecast as the representation of future operations of the Company and made the following normalization adjustments to reflect what could be expected as a future cash flow stream. Historical balance sheets, income statements and cash flow statements for 2001 through 2004 are presented in Exhibits 1 through 3 along with the 2005 forecast.

1. Income was increased by the compensation paid to Bruce Allen as it will no longer be paid to him upon sale of his interest.
2. Net income was reduced by the amount to be paid to Bruce Allen assuming he will be retained as a consultant.
3. Net income was increased by contributions as this is a discretionary expense that is not required for daily operations of the company.
4. We also deducted applicable federal and state incomes on the normalized income.

The normalized net income is summarized in Exhibit 4. We then added back depreciation to arrive at normalized cash flow from operations, which amounted to \$769,667.



The normalized cash flow was increased by \$316,458 to reflect forecasted growth, net of taxes, resulting from a three year growth plan anticipated with the sole customer in the near future. From this amount we deducted an annual amount for estimated future capital expenditures. This resulted in a forecasted future free cash flow of approximately \$1,066,000.

Net free cash flows were brought to present value terms by utilizing a capitalization rate that reflects the risk of the future stream of cash flows being realized. The rate was determined using a Build-Up Method Model. The rate reflects a risk free rate associated with long-term government bonds as well as risk differentials to reflect debt to equity, small company premium and specific company risk. The total of these rates are reduced by a provision for long-term growth resulting in a risk adjusted capitalization rate. The calculation of the capitalization rate is as follows:

The risk free rate is based upon the yield of 20-year treasury bonds and represents the yield rate as of April 28, 2004. The equity risk premium can be defined as the additional return an investor expects to receive to compensate for the additional risk associated with investing in equity securities as opposed to investing in risk free assets. The size premium is the return differential to compensate for the fact that small companies are riskier than larger companies and potential investors require additional return to compensate for the additional risk.

In addition to the adjustment of the capitalization rate to accommodate equity and size premiums, the build-up method also takes into consideration potential specific risk that may be applicable to this industry or company. Due to the reliance on one customer we have selected a 2% specific company risk rate to use in our discount rate.

Table 2 - Calculation of the capitalization rate

| | |
|---|----------|
| Risk Free Rate – 20 Year Treasury Bonds | 5.1% (1) |
| Equity Risk Premium | 7.2% (2) |
| Size Risk Premium | 9.8% (2) |
| Specific Company Risk | 2.0% |
| Discount Rate | 24.1% |
| Sustainable Growth | 2.0% |
| Capitalization Rate | 22.1% |
| Capitalization Rate (Rounded) | 22% |

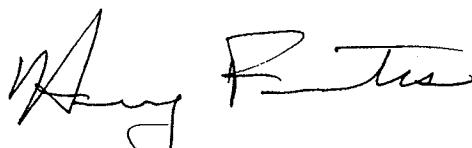
(1) Per Federal Reserve Rates

(2) Per Ibbotson 2004, Stocks, Bonds, Bills and Inflation – Valuation Edition

CONCLUSION AND OPINION

It is our opinion, based on this limited appraisal, that the indicated equity value of the 50% equity interest of Bruce Allen in Private Label Sourcing, LLC is approximately \$2,423,000. The computation is presented in Exhibit 5.

SAX MACY FROMM & CO., PC



Henry L. Fuentes, CPA, ABV, MBA, CFE
Director of Litigation Support and
Business Valuation Services

STATEMENT OF LIMITING CONDITIONS

1. This summary of value was made for the purpose stated and should not be used for any other purpose.
2. All facts and data set forth are true and accurate to the best of our knowledge and belief.
3. We have no present or prospective interest in the subject company and compensation is in no way contingent upon the value.
4. All values stated are presented based on all the facts and data set forth in the report. We assume no responsibility for changes in market conditions or for the inability of a seller to locate a buyer at the indicated value.
5. Verification of factual matters contained in this report has been made to the extent seemed practical. We believe, to the best of our knowledge and belief, such factual matters are true.
6. We shall not be required to give testimony or appear in court by reason of this summary of value unless specific arrangements are otherwise agreed upon.



Exhibit 1

Private Label Sourcing, LLC
Balance Sheets

| Assets | Reviewed 12/31/01* | Audited 12/31/02 | Audited 12/31/03 | NR 12/31/04 | Projection 12/31/05 |
|--|-----------------------|---------------------|---------------------|------------------|------------------------|
| Current assets | | | | | |
| Cash | 37,639 | 108,974 | 31,465 | 104,174 | 22,791 |
| Accounts receivable | - | 267,694 | 6,003 | 580,104 | 10,000 |
| Due from factor | 578,615 | 1,154,613 | 383,631 | 363,062 | 851,500 |
| Inventory | 333,562 | 281,104 | 198,842 | 893,126 | 893,000 |
| Prepaid expenses | 8,134 | 49,330 | 66,271 | 186,311 | 494,700 |
| Total current assets | 957,950 | 1,861,715 | 686,212 | 2,126,777 | 2,271,991 |
| Property and Equipment: | | | | | |
| Office equipment | 9,375 | 25,435 | 27,511 | 27,511 | 27,511 |
| Leasehold improvements | 177,708 | 758,632 | 766,141 | 32,044 | 32,044 |
| Computer equipment | - | 69,180 | 87,058 | 61,892 | 61,892 |
| Furniture and fixtures | - | 237,895 | 235,372 | 185,516 | 186,053 |
| Less: Accumulated depreciation | (4,443) | (133,838) | (305,673) | (119,356) | (173,400) |
| | 182,640 | 957,304 | 810,409 | 187,607 | 134,100 |
| Other assets: | | | | | |
| Deposits | - | 2,400 | 17,680 | 56,110 | 56,000 |
| Restricted cash | 120,000 | 120,000 | 120,000 | - | - |
| Total other assets | 120,000 | 122,400 | 137,680 | 56,110 | 56,000 |
| Total Assets | 1,260,590 | 2,941,419 | 1,634,301 | 2,370,494 | 2,462,091 |
| Liabilities and Members' Capital | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 507,397 | 1,162,286 | 1,148,475 | 1,933,937 | 1,242,348 |
| Accrued expenses and other current liabilities | 213,659 | 625,023 | 603,726 | 352,260 | 275,000 |
| Due to affiliate | 164,218 | - | - | - | - |
| Total current liabilities | 885,274 | 1,787,309 | 1,752,201 | 2,286,197 | 1,517,348 |
| Due to Members | | | | | |
| Total liabilities | - | - | 355,000 | 445,000 | 445,000 |
| Members' capital | | | | | |
| | | | | | |
| Total liabilities and members' capital | 1,260,590 | 2,941,419 | 1,634,301 | 2,370,494 | 2,462,091 |

* - Date of inception was May 3, 2001



Exhibit 2

Private Label Sourcing, LLC

Statement of Income

| | Eight Mos. Ended 12/31/01* | Year Ended 12/31/02 | Year Ended 12/31/03 | Year Ended 12/31/04 | Year Ending 12/31/05 |
|---|----------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| Sales | 278,003 | 18,258,263 | 1,669,722 | 6,905,663 | 10,907,440 |
| Cost of goods sold | 62,168 | 16,387,549 | 1,195,937 | 5,041,464 | 9,872,645 |
| Gross profit | 215,835 | 1,870,714 | 473,785 | 1,864,199 | 1,034,795 |
| Commission income | 700,000 | 6,866,666 | 5,655,928 | 3,915,042 | 3,392,570 |
| Operating expenses | | | | | |
| Design and production | | | | | |
| Production salaries | 234,756 | 241,710 | 491,586 | 446,400 | |
| Design salaries | 658,368 | 690,767 | 267,524 | 264,000 | |
| Sample hands salaries | 51,210 | 132,943 | - | | |
| Payroll taxes and fringe benefits | 146,562 | 192,777 | 150,080 | 104,640 | |
| Production consulting | 59,540 | - | - | 30,000 | |
| Design expenses | 25,532 | 34,467 | 63,469 | 30,000 | |
| Automobile expense | 71,219 | 80,155 | 81,171 | 36,000 | |
| Total design and production | 550,301 | 1,247,187 | 1,372,819 | 1,053,830 | 911,040 |
| Selling | | | | | |
| Rent and occupancy | 338,599 | 330,317 | 385,942 | 157,200 | |
| Utilities | 25,401 | 16,377 | 12,442 | 18,000 | |
| Showroom expense | 28,404 | 1,553 | 1,715 | 2,400 | |
| Travel and entertainment | 613,532 | 368,297 | 373,815 | 246,000 | |
| Communication | 61,638 | 34,972 | 33,425 | 30,000 | |
| Total selling | 118,359 | 1,067,574 | 751,516 | 807,339 | 453,600 |
| Warehouse storage | - | 248,915 | 13,037 | 124,543 | 171,420 |
| General and administrative | | | | | |
| Members' salaries | 782,000 | 826,000 | 524,000 | 510,000 | |
| Office salaries | 474,772 | 471,173 | 497,562 | 410,000 | |
| Payroll taxes and fringe benefits | 177,090 | 237,724 | 173,028 | 110,600 | |
| Office expense, postage and supplies | 60,830 | 64,400 | 34,080 | 40,200 | |
| Rental expense | 15,610 | 17,122 | 14,802 | 36,000 | |
| Insurance | 81,564 | 77,902 | 55,845 | 122,000 | |
| Professional fees | 143,819 | 121,007 | 139,414 | 78,000 | |
| Bank charges | 84,738 | 14,641 | 26,347 | 5,000 | |
| Factor's commission and charges | 127,322 | 81,376 | 58,302 | 106,805 | |
| Depreciation and amortization | 129,397 | 169,000 | 172,154 | 54,000 | |
| Provision for unincorporated business tax | 85,725 | 59,458 | 44,500 | - | |
| Retirement plans expense | 199,799 | 203,676 | 59,116 | 55,000 | |
| Computer expense | 24,786 | 18,612 | 22,259 | 24,000 | |
| Provision for settlement | 100,000 | - | 75 | - | |
| Contributions | 13,500 | 22,000 | - | 24,000 | |
| Repairs and maintenance | 25,743 | 32,787 | 36,371 | 36,000 | |
| Total general and administrative | 189,670 | 2,526,695 | 2,416,878 | 1,857,855 | 1,611,605 |
| Sample development | - | 1,061,764 | 543,708 | 616,289 | 245,000 |
| Total operating expenses | 858,330 | 6,152,135 | 5,097,958 | 4,459,856 | 3,392,665 |
| Net income from operations | 57,505 | 2,585,245 | 1,031,755 | 1,319,385 | 1,034,700 |



| | Eight Mos. Ended 12/31/01* | Year Ended 12/31/02 | Year Ended 12/31/03 | Year Ended 12/31/04 | Year Ending 12/31/05 |
|--|----------------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| Other income/(expense) | | | | | |
| Interest Income | - | 5,895 | 3,305 | - | - |
| Loss on abandonment | - | | | (489,907) | - |
| Interest expense | (2,189) | (171,881) | (37,311) | (128,049) | (20,922) |
| Total other income/(expense) | (2,189) | (165,986) | (34,006) | (617,956) | (20,922) |
| Net Income | 55,316 | 2,419,259 | 997,749 | 701,429 | 1,013,778 |
| Other comprehensive loss | | | | | |
| Unrealized loss - pension benefit obligation | - | - | (46,407) | - | - |
| Total other comprehensive loss | - | - | (46,407) | - | - |
| Comprehensive income | 55,316 | 2,419,259 | 951,342 | 701,429 | 1,013,778 |
| Members' capital, beginning of year | - | 375,316 | 1,154,110 | (472,900) | (360,703) |
| Capital contributions | 320,000 | - | - | - | - |
| Drawings | - | (1,640,465) | (2,578,352) | (589,232) | (92,505) |
| Members' capital, end of year | 375,316 | 1,154,110 | (472,900) | (360,703) | 560,570 |



Exhibit 3

Private Label Sourcing, LLC

Statement of Cash Flows

| | Eight Mos. Ended 12/31/01* | Year Ended 12/31/02 | Year Ended 12/31/03 | Year Ended 12/31/04 | Period Ended 12/31/05 |
|---|----------------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|
| Net income | 55,316 | 2,419,259 | 997,749 | 701,429 | 1,013,778 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | | | |
| Depreciation and amortization | 4,443 | 129,397 | 169,000 | 172,154 | 54,000 |
| Change in assets and liabilities | | | | | |
| Accounts receivable | - | (267,694) | 261,691 | (574,101) | 570,104 |
| Due from factor | (578,615) | (575,999) | 770,982 | 20,569 | (488,438) |
| Inventory | (333,562) | 52,458 | 82,262 | (694,284) | 126 |
| Other current assets | (8,134) | (41,196) | (16,941) | (120,040) | (308,389) |
| Accounts payable | 507,397 | 654,889 | (13,811) | 785,462 | (691,589) |
| Accrued expenses and other current liabilities | 213,659 | 411,363 | (67,704) | (251,466) | (77,216) |
| Due to affiliate | 164,218 | (164,218) | - | - | - |
| Net cash provided by operating activities | 24,722 | 2,618,259 | 2,183,228 | 39,723 | 72,376 |
| Cash flows from investing activities | | | | | |
| Purchase of property and equipment | (187,083) | (904,059) | (22,105) | 450,648 | (537) |
| Purchase of security deposits | - | (2,400) | (15,280) | (38,430) | 110 |
| Purchase of certificate of deposit | (120,000) | - | - | 120,000 | - |
| Cash used in investing activities | (307,083) | (906,459) | (37,385) | 532,218 | (427) |
| Cash flows provided by financing activities | | | | | |
| Capital contributions | 320,000 | - | - | - | - |
| Advances from members | - | - | 355,000 | 90,000 | - |
| Members' drawings | - | (1,640,465) | (2,578,352) | (589,232) | (92,505) |
| Cash provided by financing activities | 320,000 | (1,640,465) | (2,223,352) | (499,232) | (92,505) |
| Net increase in cash | 37,639 | 71,335 | (77,509) | 72,709 | (20,556) |
| Cash, beginning of year | - | 37,639 | 108,974 | 31,465 | 104,174 |
| Cash, end of year | 37,639 | 108,974 | 31,465 | 104,174 | 83,618 |



Exhibit 4

Private Label Sourcing, LLC
Adjustments to Historical Income

| | Year Ending 12/31/2005 |
|------------------------------------|------------------------------|
| Projected net income | \$ 1,013,778 |
| Adjustments: | |
| Compensation - Bruce Allen | 255,000 |
| Consulting fees - Bruce Allen | (100,000) |
| Contributions | <u>24,000</u> |
| Normalized pretax income | 1,192,778 |
| Income taxes | <u>477,111</u> |
| After tax normalized income | 715,667 |
| Depreciation | <u>54,000</u> |
| Normalized cash flow | \$ 769,667 |



Exhibit 5**Private Label Sourcing, LLC**
Capitalized Cash Flow

| | |
|--------------------------------------|-----------------|
| After tax normalized cash flow | \$ 769,667 |
| Forecasted growth | <u>316,458</u> |
| | 1,086,125 |
| Provision for capital expenditures | <u>(20,000)</u> |
| Forecasted cash flow | 1,066,125 |
| Capitalization Rate | <u>22.00</u> |
| Enterprise Value | 4,846,022 |
| Bruce Allen - 50% ownership interest | \$ 2,423,011 |

Calculation of capitalization rate

| | |
|-----------------------------------|-------------|
| Risk free rate - 20 year treasury | 5.10 |
| Equity risk premium | 7.20 |
| Size premium | 9.82 |
| Specific company risk | <u>2.00</u> |
| Total discount rate | 24.12 |
| Long term growth | <u>2.00</u> |
| Capitalization rate | 22.12 |
| Capitalization rate rounded | 22.00 |

Forecasted growth calculated:

| | |
|--|-------------------|
| 12/31/05 projected sales | 11,000,000 |
| 12/31/05 projected commissions (3,392,570/.08) | <u>42,407,125</u> |
| 12/31/05 projected sales | 53,407,125 |
| 3 year growth plan | <u>60,000,000</u> |
| Increase in commissions sales | 6,592,875 |
| Commissions rate | <u>8.0%</u> |
| Forecasted growth | 527,430 |
| Income taxes | <u>210,972</u> |
| After tax forecasted growth | 316,458 |

